Frequently Asked Questions

General Questions

What is Major Moves?

Major Moves is a comprehensive ten-year investment plan in Indiana's infrastructure to improve the economy and create job opportunities for Hoosiers. Major Moves eliminates the state's transportation budget deficit and invests in the state's future through public-private partnerships to maximize the value and improve the Indiana Toll Road, construct the I-69 extension from Evansville to Indianapolis, and complete over 200 other vital transportation projects.

Why did Governor Mitch Daniels propose Major Moves?

Indiana faces a $2.8 billion dollar shortfall in its transportation budget over the next ten years. Continuing the status quo would result in only half of Indiana's critical transportation construction projects being built. Major Moves funds these critical infrastructure investments to create jobs and improve Indiana's competitiveness in the global economy.

What will happen if the legislature does not approve Major Moves?

If Indiana does not explore new funding mechanisms, many of which have proven successful in other places, hundreds of construction projects in communities around the state will be indefinitely delayed until funding becomes available.

Why does Governor Daniels call Major Moves the biggest economic development package for Indiana in years?

According to a model by the United States Department of Transportation, 47,000 jobs are created for every billion invested in road projects. Using this model, Major Moves has the potential to create more than 130,000 jobs in Indiana.

Would Major Moves bring only construction jobs to Indiana?

No. Construction and construction support jobs are only the beginning. Many businesses locate near major transportation routes. Toyota built its Princeton Plant off of U.S. 41 near I-64, Wal Mart and Dollar General are opening major warehouse and logistics centers in Marion adjacent to I-69, and new tech parks are growing near interstates like I-74 in Shelby County and I-65 in Lafayette. The list is endless.

In addition to job creation, why is it vitally important to Indiana's economy to expedite building Indiana's infrastructure, especially roads?

Indiana has the potential to be a national leader in transportation and logistics because of our geography, existing infrastructure, and improving business climate. Businesses must have good infrastructure to transport goods and provide services.

Has Governor Daniels' announcement of his Major Moves initiative sparked interest in investment in Indiana?

Yes—already since Governor Daniels' released his proposed plan, a tremendous amount of interest has been generated in the world of transportation finance and investors in other states and all over the world are excited about Indiana as a place to look to invest new dollars.

Frequently Asked Questions

Public-Private Partnerships

Why would the state consider enter into a public-private partnership?

The leasing company would make a lump sum payment to the state in exchange for the right to collect the tolls during the lease period, pay for maintenance, and improvements to the road.

Why doesn't the state just bond against future toll revenue as it has historically done?

Private companies may be able to operate the Indiana Toll Road and design, build, and operate the I-69 extension more efficiently than government and by taking advantage of depreciation and interest related federal tax benefits which are not available to the State. Governments and private companies have discovered this type of arrangement is a win/win in other parts of the world for many years and since 1980's in the US. The Governor has said that he will 'test the market' and if a private company is willing to pay the State more than the State can collect by going it alone, we're interested.

What is a concession agreement?

A concession agreement is simply another term for lease.

How can Hoosiers be assured the leasing company will maintain and improve our roads?

Road maintenance and safety would be absolute requirements of any lease agreement and by law in state statute. The lease agreement for the Chicago Skyway dictates everything from future maintenance upgrades to the time it takes to remove dead animals from the roadway. Safety and maintenance are the top priority of the Indiana Department of Transportation.

What happens if the leasing company doesn't uphold its end of the lease?

The terms of the lease would be very specific (nearly 400 pages). The lease would also specify actions and sanctions for non-compliance and set the conditions for the state to revoke the contract and resume maintenance and operations of the road if necessary.

Some of the companies interested in investing in Indiana are located in other countries such as Spain, Australia and Germany. Why is it advantageous to Indiana to attract these investments?

Foreign countries have extensive experience in public-private partnerships in the area of road construction and management. Too often in Indiana, we see Hoosier dollars and jobs leaving the state. Major Moves is an exciting opportunity to recapture U.S. dollars by attracting foreign investment, and use them to create jobs for Hoosiers.

Have other states entered into public private partnerships and leases?

Yes—at least 18 other states are working with public private partnerships in transportation. In fact, Texas must by law explore public-private partnerships for every new transportation project.

Does the Federal Highway Administration support these programs?

The Federal Highway Administration encourages states to utilize private investor funding to help fill the gaps in their transportation budgets. The FHWA also conducts seminars and offers many forms of guidance and assistance to states engaging in Public Private Partnerships and leases.

Will the Davis Bacon Act apply to a lease or Public Private Partnership?

If federal monies are involved, contractors and sub-contractors must pay workers the prevailing wage and such fringe benefits. In addition to Davis/Bacon, prevailing wage provisions apply specifically to approximately 60 statutes involving grants, loans, loan guarantees and insurance. Other Indiana labor laws apply as they would normally.

Will there be a Project Labor Agreement?

No. By Executive Order of President George W. Bush, Project Labor Agreements are prohibited on any federally funded project. Federal monies will be utilized, as they are in almost all road building projects.

So, the Governor is not considering selling the Indiana Toll Road or I-69?

No. The state will always own the road. Governor Daniels does not support any plan to sell one of the state's most valuable assets.

How would the proceeds from the lease be spent?

Governor Daniels is calling for the proceeds from the proposed lease of the Toll Road to be invested in Indiana's long-term infrastructure needs. Hundreds of local improvement projects could be completed using these funds that would otherwise not be finished. The Governor will oppose any attempt to divert these funds to other areas of the state budget.

How much of the money from the Toll Road lease would be used in Toll Road counties?

No area of Indiana will benefit more by leasing the Toll Road than the Toll Road Counties. Governor Daniels recognizes that Hoosiers along the Toll Road Corridor derive most of the economic benefit from the Toll Road, and Hoosiers pay approximately 1/3 of all tolls on the Indiana Toll Road. Governor Daniels proposes using the greater amount of 1/3 of the proceeds from the Toll Road lease or fully funding all of the projects – totally more than $1 billion - in INDOT's Ten-Year Transportation Plan in the Toll Road counties, in addition to investing in the Northwest Indiana Regional Development Authority and restoring transportation grants to local governments.

Indiana is currently in the process of raising tolls on the Indiana Toll Road, if the Toll Road is leased, who would control future increases in the tolls.

Similar to other road leasing agreements, a schedule and formula for future increases will be spelled out in the lease agreement. Indiana will not give any company the unrestricted power to increase tolls. Hoosiers will know going into any agreement, when and by how much tolls will be increased.

Would the state need federal approval to lease the Indiana Toll Road?

No. Since no federal dollars were used to build the Indiana Toll Road, federal permission will not be required to lease the Toll Road.

Frequently Asked Questions

I-69 Public Private Partnership

Why is the state going to make the I-69 extension from Indianapolis to Evansville a toll road?

Simply put, the state does not have enough money to build the I-69 extension. Without tolls, construction would begin in 2017 at the earliest with completion no earlier than 2035. By using tolling, construction will begin in 2008 with completion targeted for 2018 – about the same time construction would start without tolling. Tolling would also slash the state money needed to complete this vital economic development corridor for Southwest Indiana.

If the state is going to make the I-69 extension a toll road, why use a public-private partnership?

The use of a public-private partnership allows a private vendor to compress the construction timeline to complete the project. A private vendor will want the road constructed as quickly as possible to maximize its return on investment. A private partner will also be able to save money through more efficient operation – while maintaining state safety and maintenance standards.

How will eminent domain be used and will this be the same process as currently is utilized by the State Department of Transportation?

Governor Daniels insists that eminent domain be used sparingly and only for projects that are for public use. The Indiana Department of Transportation currently has the authority to utilize eminent domain for building of roads.

Major Moves will move I-69 from the drawing board to reality.

- A public-private partner will slash the state money needed to build I-69.
- A public-private partner will want the road constructed as quickly as possible to maximize its return on investment.

Safety and maintenance on I-69 will not be compromised

- The lease agreement with the State would specify maintenance and construction standards.
    - The Chicago Skyway Lease even dictates how fast its private management company must remove dead animals from the road.
- Indiana will not turn over unrestricted power to raise tolls to any private company.
- Failure to comply with the lease agreement will result in stiff penalties and the State retains the right to sever the contract and resume construction and operation of the road.

Several other states are using public-private partnerships to build new roads.

- State Road 125 in San Diego, CA is a new construction highway using some public and private money – similar to the Major Moves proposal.
- State Route 895 (Pocahontas Highway) in Richmond, VA was built 15 years ahead of schedule as a public-private partnership.
- The Trans-Texas Corridor is a planned, multi-billion dollar development in Texas which uses tolls under a similar public-private partnership finance structure.

If the legislature does not approve Major Moves, hundreds of vital transportation projects across the state will be indefinitely delayed until funding can be found.

Extending I-69 from Evansville to Indianapolis

Fact Sheet

Why does it continue to press forward with an I-69 extension that some people don't want?

- Governor Daniels supports the I-69 route decision made by Governor Frank O'Bannon due to its positive economic impact on Southwest Indiana. According to the U.S. Department of Transportation and the Indiana Chamber of Commerce, every $1 invested in roads generates $2 in economic activity and $0.25 in cost savings to business annually. Every $1 billion invested in roads could also create 47,000 jobs. This project will link Evansville with the rest of the state and provide jobs in many Southwest Indiana counties that regularly lead the state in unemployment.

The I-69 Extension from Indianapolis to Evansville is one of the most important economic development investments the state can make in Southwest Indiana.

- Southwest Indiana deserves a transportation system that links the area to the rest of the state.

- Areas of Southwest Indiana have historically had the highest unemployment in the state.

I-69 will bring major economic development for Southwest Indiana.

- 47,000 jobs are created for every $1 billion invested in roads, according to the USDOT.

- New employers require good access to transportation.
    - Toyota built in Princeton near highway 41 and I-64.
    - General Motors built in Fort Wayne off I-69.
    - Wal Mart and Dollar General are building regional warehouses in Marion off I-69
    - New High tech parks are springing up in Indiana off and I-69, I-74, I-65.

I-69 will not be completed in our lifetime without Major Moves.

- Under previous road funding plans, I-69 construction would not begin until 2017 with completion scheduled for 2035.

- Major Moves provides for construction to begin in 2008, with completion scheduled for 2018.

- There has never a funding source identified for I-69 until Major Moves.

The Indiana Toll Road

Fact Sheet

The Indiana Toll Road is one of Indiana's greatest assets.

Indiana is not realizing the full benefit from the Toll Road.

- Large maintenance projects have been delayed for years on the Toll Road and in Toll Road Counties due to a lack of funding.

No area of Indiana will benefit more by the lease of the Toll Road than the Toll Road Counties.

- Grants for local projects from Toll Road revenue stopped in 1997 due to lack of funding – Major Moves restores those grants:
  - $344 million in transportation upgrades in counties along the Toll Road Corridor.
  - $100 million in economic development funds to Northwest Indiana (RDA).
  - $100 million in grants for local projects.

- Toll Road Counties have more than $1 billion in transportation requests before INDOT. Major Moves funds ALL of those requests!

- Since Hoosier motorists pay approximately 1/3 of all tolls on the Indiana Toll Road, Governor Daniels' proposes using the <u>greater amount</u> of 1/3 of the proceeds from the Toll Road lease or fully funding all of the projects in INDOT's Ten-Year Transportation Plan in the Toll Road counties, in addition to investing in the Northwest Indiana Regional Development Authority.

Indiana is not selling the Indiana Toll Road.

- The State is exploring the option of leasing the operating rights to the toll road for a specified period of time.

- This lease would immediately free billions of dollars in funds to be invested in Indiana infrastructure to improve the economy and create job opportunities for Hoosiers.
  - 47,000 Hoosier jobs are created for every $1 billion invested in road projects, according to the USDOT.

- Indiana will not turn over unrestricted power to raise tolls to any private company.

Leasing the Toll Road would actually improve the Indiana Toll Road and increase safety.

- A private company can take advantage of federal tax law which is not available to the State to maximize its investment in the Toll Road and offset capital improvement costs.

- The lease agreement dictates a faster timetable for Toll Road improvements.

The Indiana Toll Road

Fact Sheet (Cont.)

- The lease agreement with the State would specify maintenance and improvement expectations.
    - The Chicago Skyway Lease even dictates how fast its private management company must remove dead animals from the road.

- The lease agreement requires the private management company to utilize the State Police and reimburse the State for beefed-up State Police and Motor Carrier patrols along the Toll Road Corridor.

- Failure to comply with the lease agreement will result in stiff penalties and the State retains the right to sever the contract and resume maintenance and operation of the road.

If the legislature does not approve Major Moves, more than 100 vital transportation projects across the state will be indefinitely delayed until funding can be found.

Public-Private Partnerships Primer

Definition

Public-private partnerships, referred to as "P3", are a mechanism for financing large public works projects – such as highways. These contractual agreements between a public agency and private sector company permit the two entities to participate cooperatively in delivering major construction projects.

P3s increase the private sector's role in designing, constructing, operating and maintaining public facilities. Expanding their role allows public agencies to tap private capital as well as technical and management resources that are not attainable through traditional means.

Several states and many countries contract with private companies to construct and manage portions of their highway system. In these arrangements, the private entity provides money at the beginning of the project for some or all of the construction costs. The company hires a design firm and a general contractor to build the road to the state's specifications and agrees to maintain the facility to the government's standards. In return for financing, constructing and maintaining the facility, the company operates the highway as a toll facility for a limited time period. The length of the contract can vary, but typical lengths are 40, 50 and 99 years. Private companies can utilize the value of depreciation when making their investment – which in not possible for public sector agencies.

The public agency always retains ownership of the highway. There are severe financial penalties if the company does not follow the agreement's specifications. This can include adding capacity to the highway when necessary and limiting the number of toll increases over the life of the agreement. If necessary, the company can be replaced at the discretion of the public agency when certain contracted terms are violated.

History

Gas tax revenues have traditionally financed highway construction. For decades these monies steadily increased and allowed projects to be built. But, over the past 10 years, the trend for gas tax revenues has become flat. Among the explanations for the decline are more fuel-efficient vehicles and higher gas prices that have decreased the number of miles driven. Some experts predict gas tax revenues will fall in the years ahead and they cannot be depended upon to generate as much revenue as in past decades.

Congress recognized new financing options were necessary. The 2005 highway appropriations law, called the Safe, Accountable, Flexible, Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU), includes four options allowing the use of P3s for new interstate construction and added capacity for existing facilities. The Federal Highway Administration is actively encouraging states to move forward with projects utilizing P3.

Examples

Many states and countries rely on P3 for highway construction. Already 18 states have laws in place allowing these partnerships. In Texas, where several road projects are being built or are in development, state law requires P3 to be considered before other revenue options for new construction.

Richmond, Virginia

State Route 895 (Pocahontas Highway), an 8.8-mile state road, was constructed as a toll highway. The four-lane facility, completed in 2002, connects Chippenham Parkway at I-95 in Chesterfield County with Interstate 295 south of the Richmond International Airport in Henrico County. The cost of the project was $324 million and was the first construction project implemented under Virginia 's Public-Private Transportation Act of 1995 (PPTA).

This creative financing approach is why the Pocahontas Parkway could be built without a 15 year delay to assemble financing. Only $27 million of the Parkway's total $324 million price tag came from public funds. The vast majority of the funding has been raised through the sale of private bonds, which minimized the risk to both the localities and the taxpayers.

San Diego, California

The new 11-mile State Road 125 will connect the only commercial port of entry in San Diego to the regional freeway network. This project will complete the missing link in San Diego's third north-south freeway corridor.

The southern 9.5 mile section of State Road 125 is to be constructed as a privately financed and operated toll road with electronic toll collection. The private company holds a franchise with the State of California under which it finances and builds the highway, then transfers ownership to the State of California. The limited partnership then leases back, operates and maintains the facility for 35 years. After that time control returns to California at no cost.

The cost of the project is $642 million and expected to be completed in 2006. Only $132 million of the cost is being paid by federal and local government. The P3 agreement allows a maximum 18.5% return on total investment for the company with additional allowed incentive return for action to increase average vehicle occupancy on the toll road.

Texas

The Trans-Texas Corridor (TTC) is a proposed multi-use, statewide network of transportation routes in Texas that will incorporate existing and new highways, railways and utility right-of-ways. This project is currently in development.

The route will include a mix of:

- Separate lanes for passenger vehicles and large trucks
- Freight railways
- High-speed commuter railways
- Infrastructure for utilities including water lines, oil and gas pipelines, and transmission lines for electricity, broadband and other telecommunications services

Financing

The financial marketplace is global. Indiana-based companies and those with Indiana operations utilize world-wide financial resources to capitalize their expansion projects. P3 utilizes these same concepts with highways. The marketplace for P3 projects in the United States will expand rapidly in future years as new public works projects are developed.

Major financiers specializing in P3 are based in Europe, Australia and Asia. They are very particular when evaluating and selecting potential projects. In fact, these companies will spend $2 million or more for traffic modeling, design and construction studies and other meticulous research before submitting proposals. For viable projects, three or more firms will submit proposals and compete for the opportunity.

The amount of funding private sources will provide is based on their assessment of the short and long-term risks inherent in each project. Comprehensive packages that reduce unknown risk factors and offer flexibility are the best P3 candidates.

State Laws

As mentioned previously, 18 states have laws in place permitting P3. For Indiana to participate, several laws must be updated or created. These include:

- Allowing public and private monies to be combined for highway projects.
- Providing authority for INDOT to enter into an agreement with a private entity to do some or all of the development, financing, design, construction and maintenance of a toll facility.
- Granting the ability for a private entity to collect and retain tolls.
- Ability to award construction contracts other than by lowest bid.

Some necessary components used in P3 are already in place. Indiana currently allows and has successfully completed more than a dozen design-build projects. Design-build projects compress timelines and allow one segment of a highway to be constructed while other portions are being designed.

INDOT is currently identifying Indiana statutes that require changes or additions. This legislation will be presented to the Indiana General Assembly prior to the 2006 legislative session.

Benefits

The benefits derived from P3 authority are numerous and substantive.

- The private investor can reduce the cost of the project during the design-build phase through innovation and ingenuity. Every aspect of the project where originality can save time or money while producing an equal result saves money for the state and the investor.
- Use of private capital to supplement or replace public funds. P3 investors are able to access new funding streams that governments are unable to reach. Under traditional road funding, governments can only afford small amounts of money to be spent over several years on a project. Under P3 investment, construction begins sooner and progresses much more quickly because access to more funding options allows the full cost of the project to be paid for in advance.

Public-Private Partnerships Primer

(Cont.)

- Accelerated completion compared to conventional projects. The faster completion of a road project which P3 provides leads to extra years of service to the motoring public. However, these extra years also allow for quicker economic development along the road corridor and across the state. If a major construction project is completed 20 years earlier with P3, it allows for an extra 20 years of development, job creation and higher income potential for Hoosiers.

- Furthermore, the ability to use private investment for road projects allows more projects to be pursued. Without P3 authorization, the infrastructure development of Indiana is tied to revenue constraints. With a declining revenue supply, fewer road construction projects would be planned while demand for transportation increases. With P3 authority, improvements to Indiana's infrastructure which would not otherwise be possible could be completed with the help of private investors.

- Public agency retains ownership of facility.